

Employee Retention Credit (ERC)

The Employee Retention Credit (ERC) has emerged as one of the biggest and most overlooked COVID-19 related tax provisions. Originally part of the CARES Act, the ERC has undergone multiple changes since it was introduced. Most importantly, the Consolidated Appropriations Act made the ERC available to employers that also received Paycheck Protection Program (PPP) loans. If eligibility criteria is met, credits are available for up to 50% of wages and health insurance premiums paid to each employee up to \$10,000 in 2020 and for up to 70% paid to each employee up to \$10,000 for the first three quarters of 2021.

For example, if a company has 100 employees the benefit can be up to \$2,600,000.

Employers are eligible for the ERC if they meet certain requirements that include:

The business experienced a 50% decline in revenue for any quarter (Q2 thru Q4) of 2020 as compared to the same quarter in 2019.

OR

The business experienced a 20% decline in revenue for any quarter (Q1 thru Q3) of 2021 as compared to the same quarter in 2019.

OR

The business experienced a 20% decline in revenue for 4th quarter 2020 compared to 4th quarter 2019.

OR

The business was unable to operate due to a government shutdown.

If an employer has greater than 500 employees, only employees who were paid during periods that they were unable to work will be eligible for the credit. However, employers with fewer than 500 employees face no such requirement.

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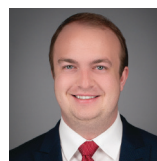


Frank Iannelli

Strategic Consulting Managing Director

Frank.Iannelli@whitleypenn.com

Direct: 817.259.9227



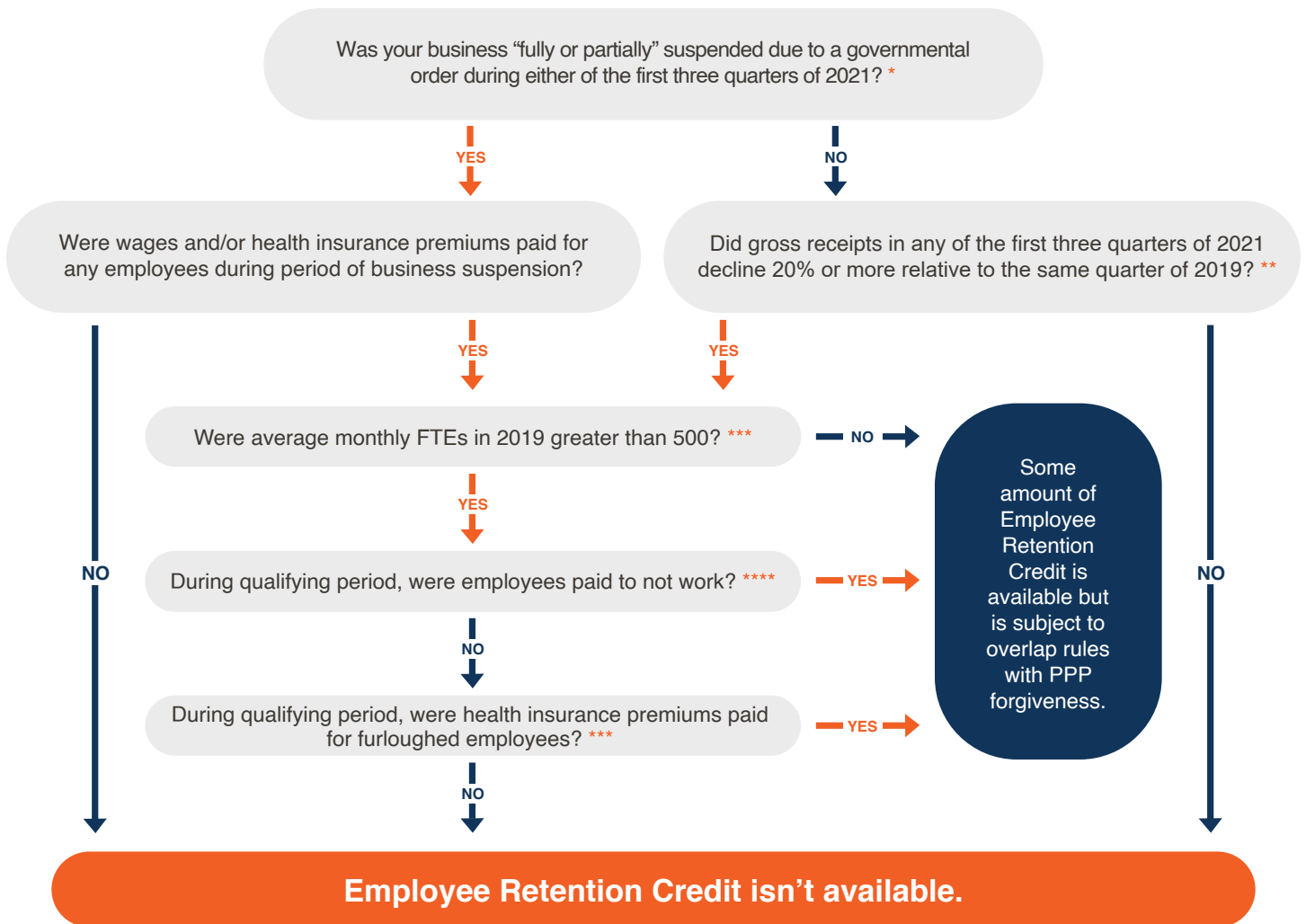
Derrick Bradford

Strategic Consulting Senior Associate

Derrick.Bradford@whitleypenn.com

Direct: 817.259.9237

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* Not all businesses were restricted from operating during the various government “shutdowns;” it’s important to confirm what orders from any level of government may have been applicable.

** If the business wasn’t operating during 2019, compare to the corresponding quarter of 2020. Businesses can also elect to use the gross receipts from the prior quarter (e.g., For Q1 2021, the business may use Q4 2020 gross receipts and compare them to Q4 2019 gross receipts.)

*** All entities with at least 50% common ownership should be aggregated when counting FTEs.

**** “Qualifying period” for purposes of this flowchart refers to the 2021 quarter in which business was subject to a government- ordered shutdown or gross receipts were less than 80% compared to the corresponding quarter in 2019.